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EC887 Contributions of Landlord and Tenant in a Farm Lease Arrangement

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AGRI

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E.C. 887

CONTRIBUTIONS OF LANDLORD AND TENANT IN A FARM LEASE ARRANGEMENT

The form on the other side of this sheet has been prepared to help answer inquiries from Nebraska tenants and landlord. If the tenant and landlord will get together and enter items in the form according to the suggestions below, they may be able to arrive at a satisfactory lease arrangement.

Suggestions For Use Of Form On Reverse Of This Sheet

Interest on Capital. The capital used in the operation of a farm business has an earning value, since it could have been invested elsewhere at interest. This can be thought of as its contribution to the business by its owner. It may be computed by assuming an interest earning on the capital value. The interest earnings should be in accordance with current interest rates in the community on similar investments. The values of the different capital investments used in the business should be entered in Column (1), the assumed earning rates in Column (2), and the amount of the earnings in Column (3). The earnings will be entered again in Column (4) or Column (5), or divided between Columns (4) and (5) depending upon the ownership of the capital.

Non-Cash Expenses. Depreciation costs are contributed to the business by the owner of such property. Enter in Column (1) the values of the different properties that depreciate such as buildings and fences, power and machinery, and livestock retained for breeding purposes. Enter in Column (2) the depreciation rates. Compute the depreciation and enter in Column (3) and again in Column (4) or Column (5) as explained above for interest earnings. If depreciation is computed on livestock it will be handled as for buildings and machinery after the value of the stock has been determined and the depreciation rate estimated.

Estimate a value for the labor of the operator and for members of the family who do field work. This should be based on going farm wages. Show number of months in Column (1), the monthly wage in Column (2), and the total in Column (3). Enter again in Column (4) or (5).

Cash Expenses. The items of expenses listed, or others that may apply to your operations, can be estimated for the year and entered first in Column (3) and again in Column (4) or (5).

Determination of Contributions. Columns (3), (4), and (5) should be totaled. The percentages that the totals of Columns (4), and (5) are of Column (3) should be computed and entered in Columns (4) and (5). These percentages indicate about how the income from the business should be divided. If the contributions of the landlord (Column 5) are about 40 per cent or two-fifths of the total shown in Column (3), then it would appear that he should receive 40 per cent or two-fifths of the farm income for the year. Contributions as listed may be adjusted if necessary to fit the shares to be received by the landlord and tenant.

Risk and management are difficult to evaluate. Risk may be partially accounted for by allowing different interest rates for different kinds of capital used. Management may have a different value on each farm. To provide for it, some adjustments in inputs could be made by mutual agreement between the parties concerned.

* * *

Nebraska
COOPERATIVE EXTENSION WORK
IN AGRICULTURE AND HOME ECONOMICS
U. of N. Agr. College & U. S. Dept. of Agr. Cooperating
W. V. Lambert, Director, Lincoln

CONTRIBUTIONS OF LANDLORD AND TENANT IN A FARM LEASE ARRANGEMENT

195_____

| Item | Value | Rate | Contributions | | |
|---|------------|------|---------------|--------|----------|
| | | | Total | Tenant | Landlord |
| | (1) | (2) | (3) | (4) | (5) |
| Interest On Capital | | | | | |
| Land. | \$ | % | \$ | \$ | \$ |
| Buildings and fences. . . | | | | | |
| Power and machinery . . . | | | | | |
| Livestock | | | | | |
| Other | | | | | |
| Non-cash Expenses | | | | | |
| Depreciation | Value | Rate | | | |
| Buildings and fences | \$ | % | | | |
| Power and machinery | | | | | |
| Livestock | | | | | |
| Other | | | | | |
| Unpaid labor | No. months | Rate | | | |
| Operator. | | \$ | | | |
| Family. | | | | | |
| Cash Expenses | | | | | |
| Repairs, buildings and fences | | | | | |
| Repairs, fuel, oil, machinery and power | | | | | |
| Taxes: Real estate | | | | | |
| Personal | | | | | |
| Insurance: Buildings | | | | | |
| Personal property | | | | | |
| Crop expense: seed, fertilizer, other. | | | | | |
| Water costs | | | | | |
| Labor hired | | | | | |
| Feed bought | | | | | |
| Livestock expense: Vet., Med.. . . . | | | | | |
| Other | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTAL. | | | | | |
| Per Cent Contributed by each | | | 100% | % | % |